

CLARKE COUNTY BOARD OF SUPERVISORS	
January 20, 2004	Continued Regular Meeting
	7:30 p.m.

John H. Ender's Social Hall  
9 South Buckmarsh Street  
Berryville, VA 22611

At a meeting of the Board of Supervisors of Clarke County, Virginia, held at the Ender's Social Hall 9 South Buckmarsh Street, Berryville, VA 22611 on Tuesday, January 20, 2004.

#### Present

Chairman John Staelin, Vice Chairman Hobert, Supervisor Byrd, Supervisor Dunning, and Supervisor Weiss

#### Also Present

David Ash, Tom Judge, Eleanor Smalley, Bent Ferrell, William Houck, Michael McCall, Gary Hornbaker, Caren Leach, Jerry Herrmann, Hiliary Copsey and other citizens and members of the press.

#### Call To Order

Chairman Staelin called the meeting to order 7:32 p.m.

#### Review of Financial Model

Chairman Staelin provided overheads of the Fiscal Year 2003 revenues and Fiscal Year 2003 Expenditures. Currently, the County expends 60% on schools, 6% on school debt and 7% for public safety.

Mr. Staelin reviewed the financial model developed by Morgan Keegan for use by the Joint Committee on School Construction for assessing the financial impact of construction options. The model was set to look at the impact over a ten-year period. The numbers used were \$23MM for the high school and \$2MM for the elementary for a total of \$25MM. The committee also put in the model \$6MM to be spent in 2009 for other government building projects.

Chairman Staelin reviewed the ratio pages stating that they had looked at debt per capita for the last measure, debt to assessed value, and debt to annual budget. The Committee set 10% as the maximum; and if borrowing \$25MM, the 10% maximum was reached. Mr. Staelin explained that another consideration was the ability to pay down debt within ten years to be able to fund other school projects that will be necessary after that period of time. The debt capacity in this scenario at the end of ten years would be \$13MM. Mr. Staelin provided an example of the impact of borrowing \$30MM on debt capacity, which dropped the total to \$4MM.

Mr. Staelin reviewed assumptions made by the Committee. Real estate growth is assumed to grow at 3.5% per year. Other revenue [State funds, Federal funds, etc.) was assumed at 6% per year. Given these assumptions, the real estate tax rate ended up 26% higher in 2008 including real estate reassessment.

John Staelin explained that 90% of the budget is for operating expense. There followed a series of examples on how different percentages impacted the real estate tax rate.

Example: Change spending cap from 5% to 6%: tax rate increases from 26% to 38%.

Example: Keep 5% spending cap but take revenue down from 6% to 5%: tax rate increases from 26% to 34%

Example: Change spending cap from 5% to historic 9-year average of 7.3 and leave revenue at 6%: tax rate increases from 26% to 55%

Chairman Staelin opined that even the slightest change could have a dramatic impact on the tax rate. He stated that concern expressed by Board members regarding the ability to can live within the 5% spending cap are justifiable.

#### Presentation Chairman John R. Staelin

Mr. Staelin addressed questions and concerns raised during the January 14, 2004 public meeting. The presentation was as follows

- Tax Base:
  - Some Types Of Property Pay More In Taxes Than They Consume In Services. Other Do Not.
  - The Commercial Sector Pays 10% Of All Taxes In The County But Uses Less Than 3% Of The Services Provided.
  - The Housing Sector Pays 70% Of All Taxes In The County But Uses 95% Of The Services Provided.
  - For Every \$1.00 Raised In Tax Revenue:
    - Houses Require \$1.35 In Services
    - Business Require \$0.26 In Services
    - Raw Farm Land Requires \$0.14 In Services.
  - How Do You Expand The Tax Base?
    - Add To (Or Protect) The Profitable Categories Of Property While Limiting Growth Of The Unprofitable Categories
  - What Has Clarke Been Doing?
    - Protecting Agricultural Land – *Grow Crops Not Houses.*
    - Controlling Residential Growth.
    - Focusing Residential Growth Around Towns So Services Can Be Provided Cost Effectively.
    - Encouraging Commercial Growth In Appropriate Places.
  - Examples Of Steps Taken To Encourage Commercial Growth.
    - Built The County's Business Park.
    - Almost Doubled The Commercial Zoning Around Double Tollgate.
    - Extended Sewer Service To Waterloo.
    - Added 12 Acres Of Business Park Zoning Next To The Current Business Park.
  - What's The Result?
    - 30% Of All Construction In The County In 2002 Was For Commercial Building.
    - Businesses Already Signed Up At The Business Park Will Add \$8 Million To The County's Tax Base.
  - But It's Important To Remember The Citizens Of Clarke County Have Consistently Said They Do Not Want:
    - Berryville To Become Herndon Or Manassas
    - Haphazard Development
    - Overcrowded Highways
    - Sprawl
  - Thus, Even Though Clarke's Tax Base Is Expanding It Will Never Be As Big As:
    - Winchester
    - Frederick
    - Loudoun
  - Other Tax "Base" Facts
    - Sheetz Is Not The Biggest Tax Payer In The County. *There Is No Sales Tax On Gas.*

- It's Unfortunate But True The Tax Structure In Virginia Was Designed Around The Economic Models Of The 18<sup>th</sup> And 19<sup>th</sup> Centuries. Tax Reform Is Needed.
- The Most Profitable Businesses In The County Have Lots Of Machinery And Tools.
- "Knowledge" Businesses Bring Little Income To County Governments.
- Land Use
  - Some Wondered If The Land Use Program Couldn't Be Modified To Bring In A Bit More Money.
  - Rules Set By The State.
  - Counties Cannot Modify Program.
  - Counties Accept Or Reject.
  - Most Of The Non-Urban Counties Have Adopted Land Use.
  - The Farmer Pays The Same Taxes As The Residential Homeowner On:
    - House
    - Yard Around The House (At Least One Acre)
    - All Outbuildings (Garages, Barns, Sheds, Tenant Houses, Etc.)
    - Cars And Other Personal Property
  - The Farmer Pays Taxes On:
    - All Business Equipment (Tractors, Combines, Tools)
  - The Only Tax Break The Farmer Gets Is On Raw Farmland.
    - Raw Farmland Is Valued At Its Agricultural Value, Not It Development Value.
  - But Even With A Tax Break:
    - Raw Land Pays Its Way.
    - For Every Tax \$1 Collected On Farm Land Only \$0.14 Is Spent On County Services.
- People Asked:
  - Why Don't The Supervisors Offer Real Estate Tax Relief To Low Income Residents?
    - About 33% Of Clarke Households Have An Income Of Less Than \$35,000.
    - 8% To 9% Are 65 Or Older.
    - 24% To 25% Are Less Than 65 Years Old.
    - Low Incomes Are Not Restricted To Any Age Group.
    - However, State Law Says Real Estate Tax Relief Can Only Be Offered To Those Over 65.
  - So, The Supervisors Have No Way To Offer Real Estate Tax Relief To Most Lower Income Citizens.
  - The Only Way To Protect Most Lower Income Citizens From Being Taxed Out Of Their Homes Is To Keep The Tax Rate At An Affordable Level.
- That Said,
  - The Supervisors Have Not Updated The County's Senior Citizens Tax Relief Program In A Year.
  - It Will Be Reviewed Again But It Cannot Be Modified To Affect The 85% Of Clarke County's Population That Is Below 65.

#### Statement Supervisor David S. Weiss

"It has been brought to my attention that my tone at last week's meeting offended some. For that, I am truly sorry. My questions and statements were and continue to be valid; however if my manner was inappropriate, I apologize.

For the record, my questions to the School Board, which had been submitted to Chairman Ferrell three days earlier, were:

1. How will you meet the space needs of the children if you are unable to buy or acquire land through donations? Also, how long will you pursue land acquisition before going to Plan B and what is Plan B?
2. What are your building priorities and in what order?
3. How will living with lower expenditures affect school programs? What will you have to eliminate or scale back?

The answers I received were:

1. If no land is acquired, no school will be built. There is no Plan B.
2. Classrooms, Gymnasium, Cafeteria, Auditorium
3. We cannot answer this question without real financial numbers.

I hope those answers are correct. Please tell me if there are any mistakes. I am disappointed with the answers to questions number one and number three. It seems very poor planning not to have a Plan B as a contingency plan so the process does not stop and the children's needs are met. On the programming issue, I think parents and teachers have the right to know your best guess as to how less operating expenses will affect their curriculum. However, I must accept your answers even if I have some doubts and I thank you for your efforts to answer them.

Now, I would like to speak to the Resolution. I appreciate the hard work of the Joint Committee. I would remind everyone that tonight is only the second formal meeting between the two full Boards. The Resolution tries to set up parameters on a tremendously complex issue and it does a fairly good job. According to the financial model we've seen tonight, the only way to keep taxes from rising beyond 25% over four years or to not adversely affect County services is to stay within a 5% core expenditure for the County and to maintain a 6% other tax revenue. I believe that if all goes right with the scenarios presented here, then we will meet our goals of taxes and services. However, it is clear as we saw with the changes in the model that only small errors in that 5% or 6% will have dramatic effects. Either our taxes will go higher than 25% or we will have to make further cuts in County services. Some may say this is obvious and its, but I do not believe that most of our citizens are aware of this danger. After tonight, I hope they know what could happen if we proceed.

This has been my goal in this process. That is to say, I have been trying to point out worst-case scenarios. I have done this not because I am opposed to a new school or the School Board. Questions and caution do not mean opposition. My job as Supervisor is to make sure everyone understands both sides of an issue and all the facets of its solution. These are very fragile numbers and I believe we are setting Clarke County up for even higher taxes or fewer services or possibly both. I hope I am wrong and very well may be, but these issues must be raised. I hope the school Board is successful in all its efforts and I will help them as I can.

In an effort to make my position clear and so that I am not accused of frivolous delay, I want to speak to the plan that may be presented in the future. I encourage the School Board to utilize the existing sports facilities in their plan. I believe it would be wasteful and somewhat insulting to the volunteers that helped fund and build those facilities to duplicate them at another site.

Secondly, I caution the School Board not to forget about the needs of a renovated elementary school. Please do not short change the elementary school in your plans for a new high school.

Finally, I will NOT support any plan which attains land through condemnation. I am philosophically opposed to government takings and firmly believe that a taking of a large parcel of Agricultural Open Space Conservation land violates Clarke County's Comprehensive Plan. I will not move on this point. If I support this resolution, let me state for the record that the School Board must live up to its part of the bargain. All the needs of all the school children must be met with \$25 million. Any private donations may only be used for items that the school system can do without. I further state that \$25 million is all I will support. There must not be further requests. You have asked me to trust you and I will do that. Please do not fail me or renege on your promise to live within your budget, both operational and capital."

Statement Supervisor Barbara J. Byrd

The Clarke County School Board has recommended to the Board of Supervisors two proposals.

Proposal one has a cost of, as determined by Moseley Architects, \$38 million. \$32 million for a new high school plus \$6 million to renovate the present high school as an elementary school.

The second proposal is a scaled down version with a limit of \$25 million, namely \$23 million for the new high school and \$2 million for renovations to the present high school as an elementary building.

I agree, the Clarke County High School is over crowded. Its current capacity is 450 students and there are presently 650 students at the high school. A scaled down proposal will require a 25% tax increase; it will build only the scaled-down proposal.

To reach the \$38 million the School Board wants would require not just the \$25 million from the taxpayers, but will require private funding of \$13 million.

I ask this question: Is it reasonable to expect private individuals to voluntarily contribute \$13 million, nearing 1/3 of the total cost, for the purpose of providing Clarke County with a new high school?

The scaled-down proposal, requiring a 25% tax increase, would not build a new high school and renovate the present high school as an elementary school nor give the County the quality high school envisioned by the School Board.

Another proposal, I feel, should be considered, which should require a lesser tax increase and yet assure a first-class high school complex if we:

- Renovate the present 16-year-old high school as it was approved to be by the State in the 1980's.
- Build on the outside of the existing school by adding: an enlarged cafeteria, a maintenance area, 24 new classrooms (4 of which would be labs), an enlarged library/computer area, an enlarged art room, enlarged principal and school office areas, a second gymnasium, larger boys and girls locker rooms, a fitness room, a wrestling room, a new band room, a new auditorium and a lobby area.
- Do not gut usable classroom interior space that would interrupt classes.
- Place lockers in a common area – not in the hallways.
- Work with an architect to improve the functionality and appearance for much less than the "lick and promise" plan presented by Moseley.
- Continue to use the present athletic facilities.
- Use the 13 acres to the south for expansion of the playing fields and share the park fields.
- Build a new elementary school on the rear portion of the park.
- Replace the current primary school with the Cooley school.
- Use the sewer, water and roads that already exist.
- Eliminate the need to purchase new land.

Either of these first tow plans requires a 5% cap on increased spending for the next four years for the entire County. In July Clarke County will be paying an increase in our retirement and health insurance programs for all County employees. This could use up to 3%, reducing our spending cap to 2%. Is this realistic?

- In the last 5 years, we averaged 9.3% in spending.
- In the last 9 years, we averaged 7.3% in spending.
- We could strap our Social Services Department, our Fire and Emergency agencies, our Parks and Recreation Department and the improvements needed in our Sheriff's Department.
- It could damage our ability to keep good County staff.
- It could impair our ability to maintain our excellent, dedicated teacher base.

We need to stop dancing around the issue and act now. Our schools are over overcrowded. We must make the right decision for Clarke County.

Ten years down the road I do not want to be blamed for a substandard new school. History must not repeat itself – not on my watch!

I recommend renovating the present high school. I propose funding for the renovation be achieved by a tax increase much lower than 25%.

In summary, I think both of the new high school proposals are a mistake for several reasons:

1. Either plan would strap other elements of local government.
2. A 25% increase in taxes would work a hardship on many Clarke citizens.
3. Even with a 25% increase in taxes, the County is short \$13 million (virtually 1/3 of the total cost), which must be obtained by volunteer contributors; without private funding only a scaled down new high and renovated elementary school could be accomplished.

Clarke County can have a top-notch complex if we live in reality and roll up our sleeves to give our students the best we all can afford. We can teach them a lesson that life is not just what we want and dream about, but life is also what we can accomplish through hard work, using what we have and good planning. As a result, we will make them proud of our effort. Reluctantly, I shall vote for this resolution, which implies trust in the School Board living within the 5% cap on spending for four years upon which this resolution is based.

Statement Supervisor A.R. Dunning, Jr.

Pete Dunning stated that he was on the Board of Supervisors when the current high school was built. There were guilty parties on both sides. We made a mistake and we are paying for it today. All I ask is that we don't duplicate the mistake we made before. I agree with many of the things David Weiss and Barbara Byrd have said; but most of these things are common sense. Do what is best; and I urge the School Board to what is best for the students and the people in Clarke County. If that is done then everything should be okay.

**Supervisor Dunning moved the following, WHEREAS, the School Board has adopted, on December 15, 2003, the following Joint Resolution, and the Board of Supervisors desires to adopt the Joint Resolution to indicate its intent to approve a bond issue of up to \$25,000,000 upon the development of a plan of school construction determined to be reasonable by the School Board and the Board of Supervisors. NOW, THEREFORE, the Board hereby adopts the following Joint Resolution on School Construction Funding:**

#### **Joint Resolution On School Construction Funding**

**WHEREAS** both the Clarke County School Board and the Clarke County Board of Supervisors passed a Joint Resolution in July expressing their desire to expand school capacity at the high school level to 800 students and at the elementary school level to 1050 students (including preschool), and

**WHEREAS** interest rates are at record low levels but are expected to rise so it is important to act quickly, and

**WHEREAS** both Boards understand that there is a limit to what the County can afford and that any increase in spending allocated to one area is likely to limit what can be spent in other areas, and

**WHEREAS** a financial consultant was jointly selected by the Boards to build a financial planning model that could help the Boards understand the County's financial position, make it easier for the Boards to prioritize spending (operations and capital) and determine how much the County could safely borrow for school construction, and

**WHEREAS** it is recognized that there are cycles and year-to-year variations in the County's revenue flows and that no one can accurately predict such cycles and variations but both Boards believe that the consultant based the model on reasonable assumptions if looked at over the life of the model, and

**WHEREAS** one of the assumptions in the model dealt with tax increases and neither Board wants to see the average citizen to pay more than 25% in additional taxes over the next 4 budget cycles, and

**WHEREAS** both Boards feel that if they act quickly to lock in the current low interest rates the County can safely borrow up to \$25,000,000 for school construction, have the money required to pay for needed operational expenses and meet both Boards' tax limitation goal, and

**WHEREAS**, as architectural firm was jointly selected by the Boards to develop alternative designs to meet the educational needs of the community and this firm is qualified to design quality facilities within the budget available.

**NOW, THEREFORE** be it resolved that Board of Supervisors agrees to borrow \$25,000,000 to fund the expansion of school capacity once the School Board creates a reasonable plan to meet the previously agreed high school and elementary school enrollment targets at a total cost of no more than \$25,000,000 in local Clarke County Governmental funds (including land, site development, off site improvements, buildings, furniture and equipment, etc.) by March 1, 2004. The plan may call for a new or reconstructed high school. However, regardless of the option shown, the plan must be complete, must satisfy the educational needs of the school system, must use quality materials, and cannot postpone necessary expenses to "out years". The plan may show additional features to be paid for with outside funds but must note these features are not to be built at County expense, will only be built if outside funding can be raised, and the School Board can live without these features if the outside funding does not materialize, and

The School Board is free to raise outside funds, explore public/private partnerships, etc. without fear of substitution by the Supervisors, and

Both Boards agree that no construction can begin on any aspect of the school until there are binding commitments for all funds, and

Both Boards recognize that the only way the County can borrow \$25,000,000 and keep tax bills from rising more than 25% over the next four years is to lock in the current low interest rates and keep operational spending under tight control for the next 4 budget cycles, and

Both Boards understand that although no financial planning model can predict the future the Boards can agree to work towards common goals even in a changing and unpredictable world, and

Both the Supervisors and School Board agree that they will work together to prioritize spending to do the best they can to meet the needs of all citizens and keep taxes from rising more than 25% over the next four budget cycles.

Adopted this 20<sup>th</sup> Day of January, 2004.

Copy Teste:

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John R. Staelin, Chairman  
Clarke County Board of Supervisors

**The motion was approved by the following vote:**

Chairman Staelin	-	Aye
Vice Chairman Hobert	-	Aye

Supervisor Byrd	-	Aye
Supervisor Dunning	-	Aye
Supervisor Weiss	-	Aye

Vice Chairman Hobert thanked the other Board members for their support of the motion. He stated that he understood their comments and concerns. He expressed his hope that Boards could begin to work together on this tremendous challenge for this was just the beginning. He wished the School Board well in their coming efforts and offered the assistance of the Board of Supervisors.

#### Adjournment

There being no further business to be brought before the Board, the Chairman adjourned the meeting at 8:15 pm.

ATTEST: January 20, 2004

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John Staelin, Chairman

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David L. Ash, County Administrator